Annual Report 1997

GENDIS INC.

(fiscal year ended January 31, 1998)

GENDIS INC.

COMPARATIVE FINANCIAL HIGHLIGHTS
(in thousands of dollars, except per share data)

Period ended	January 31, 1998	January 25, 1997
Sales	**410,284**	509,337
Earnings (loss) before tax:		
Before the undernoted	**(2,656)**	(18,076)
Gain on exchange of investments	**162,750**	—
Provision for loss on investments	**(13,800)**	—
Restructuring costs	**(22,123)**	(41,482)
Net earnings (loss)	**73,309**	(40,843)
Dividends paid	**2,009**	5,283
Shareholders' equity	**314,350**	242,329
Cash flow - earnings (loss)	**(5,628)**	(10,889)
Capital expenditures	**6,893**	7,476
Per Common Share:		
Earnings (loss)	**4.38**	(2.44)
Annual dividends paid	**0.12**	0.32
Shareholders' equity	**18.74**	14.49

THE COMPANY

Gendis Inc. participates in the oil and gas exploration and development industry through shareholdings in Pioneer Natural Resources Company of Texas, Pioneer Natural Resources (Canada) Ltd. of Calgary, Chauvco Resources International Ltd. of Bermuda and an equity interest in Tundra Oil and Gas Ltd. of Winnipeg.

Gendis Inc. will also be participating in the pipeline industry through its equity interest in Fort Chicago Energy Partners L.P., a limited partnership, of Calgary. Fort Chicago Energy Partners L.P. has an equity interest in the Alliance Pipeline project and Aux Sable natural gas extraction plant project which are scheduled to commence operation in the year 2000.

Gendis Inc. is active in the retail merchandising industry through Saan Stores Ltd., a wholly owned subsidiary which operates junior department, family, children's and women's clothing stores across Canada. These retail outlets have a broad geographic base and operate under the names "Saan", "Saan for Kids", "Red Apple Clearance Centre" and "Pomme Rouge".

Gendis Inc. is also active in real estate management and development through a wholly owned subsidiary, Gendis Realty Inc.

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The Annual Meeting of Shareholders will be held Friday, June 5, 1998 at 11:00 a.m. at The Lombard Hotel Winnipeg, Manitoba

REPORT TO SHAREHOLDERS

The fiscal year ended January 31, 1998 has been one of major changes in the fundamentals of our business. The company's holdings have changed from being primarily involved in retail operations with holdings in two profitable oil and gas companies and real estate, to having major holdings in oil and natural gas, and pipeline activities with somewhat reduced emphasis in retail operations and continued real estate interests.

Holdings in the energy and pipeline sectors now comprise two-thirds of the assets of the company, with our retail operation, Saan Stores, at a quarter of the assets.

Consolidated sales for the year ended January 31, 1998 amounted to $410,284,000, a decline from $509,337,000 reported last year. However, the reduction in sales was principally due to the rationalization of the MMG Management Group in February 1997. In the fiscal year, net earnings were $73,309,000. The result includes a gain of $162,750,000 on exchange of investments (an after tax gain of $83,550,000) and a provision for loss of $13,800,000 on investments. In addition, a charge of $22,123,000 related to restructuring of the retail operations was charged to net earnings for the year. The prior year's loss of $40,843,000 included a charge of $41,482,000 relating to the restructuring of the retail operations. The restructuring of the retail group and the associated cost is now complete.

The most significant event of the current year was the completion of the exchange of our interests in Chauvco Resources Ltd. for 7,254,000 common shares in Pioneer Natural Resources Company, one of the largest independent drilling and production oil and natural gas companies in the United States and its Canadian subsidiary. The value of the share exchange aggregated $298,778,000.

Through various acquisitions and financings in 1997, Pioneer has more than doubled its oil and natural gas reserves expanding beyond the United States to Canada, South America and Africa.

With the decline in oil prices in 1997 and early 1998 and the lowering of Pioneer's 1998 production forecasts, the market value of our holdings in Pioneer declined by 23% to January 31, 1998. The Pioneer share price has increased somewhat since that date. While we are disappointed with the drop in market value, we are confident in Pioneer's management and believe the fundamentals of Pioneer are sound. We look forward to a further increase in the value of our investment in 1998.

In October 1997, through the rights received from Chauvco Resources Ltd., Gendis acquired a 22% interest in Fort Chicago Energy Partners L.P. for $84.5 million. Fort Chicago holds a 26% interest in a new venture in the pipeline industry called the Alliance Project. The project involves the design, construction and operation of a mainline natural gas pipeline facility from northeastern British Columbia to delivery points near Chicago, Illinois and the construction and operation of a natural gas liquids extraction facility proposed to be built near Chicago. The capital costs associated with this venture are estimated at $4.1 billion, financed by a consortium of bankers and shareholders' equity. The project is currently in the approval process with the Canadian and U.S. regulatory authorities and is estimated to be in service by mid-2000. We intend to hold our indirect 6% interest in the Alliance Project for the long term as we expect significant cash returns once the pipeline and extraction plant are in service.

Also of significance, Tundra Oil and Gas Ltd., a partnership with Richardson Oil and Gas Ltd., acquired Corvair Oils Ltd. of Alberta. This more than doubled proven reserves and more than doubled the land position of Tundra.

In December 1997, Chauvco Resources Ltd. distributed its interest in the operation in Gabon to its shareholders through the newly created Chauvco Resources International Ltd. which now trades on the Toronto and Alberta Stock Exchanges. Early in 1998 as a result of disappointing estimates of recoverable crude oil from one of the properties in the Gabon reserves, Chauvco Resources International Ltd. suspended a new $22 million equity financing. As a consequence, we wrote down the value of our investment in the company by $3.6 million.

Last year we announced that, after a strategic review assisted by our financial and strategic consultants, Gendis needed fundamental change in the retail operations. Our course of action was to withdraw funding support of our wholly owned subsidiary, Greenberg Stores Limited. This company, operating the Metropolitan and Greenberg retail chains, was voluntarily assigned into bankruptcy on February 11, 1997. Our action plan removed the burden of the loss stores and eliminated one head office and distribution centre from our expense structure. Saan Stores Ltd. acquired 89 stores from the Trustee of Greenberg Stores Limited and consequently, Saan Stores has become a truly national retailer with 313 store locations covering all provinces and territories of Canada.

Saan Stores has made a number of organizational, personnel and structural changes to accommodate the expansion of territory with the addition of the 89 new stores. Enhanced planning procedures and new financial and operating control disciplines have been adopted. Saan Stores' primary objective of its three year business plan is to raise profitability of the chain. While operating profits declined in the current year, partly due to costs associated with the integration of the new stores, we believe the chain is well on its way to meeting that objective within our established planned time frame.

At present, Gendis Inc., as the parent company, arranges for external support for the total requirements of the company including the retail operation. Recently we entered into negotiations with an asset based lender for a three year line of credit of up to $75 million for Saan Stores pledging inventory and receivables as collateral. The agreement with that lender is being finalized. Once finalized, this loan, along with Gendis Inc.'s fixed debt of $15 million and equity interest in Saan Stores Ltd., will place the retail operations on a stand alone basis for its financing allowing Saan Stores Ltd. to plan for an initial public offering within the next two years.

We have a number of valuable real estate holdings that provide cash flow support for the company. We disposed of several properties in 1997 that were surplus to supporting our retail needs and will continue to review our portfolio to ensure maximizing revenues from our properties.

Because of losses and costs associated with the restructuring of our retail operations, in early 1997 we were obliged to collateralize our bank credit arrangements as the price for on-going support from our

bankers. We also agreed to comply with various debt covenants commonly found in loan agreements.

As a consequence of the general decline in quoted share prices in the energy sector and the associated decline of the market value of the shares of Pioneer, the ratio of the aggregate market value of the shares of Pioneer to indebtedness was less than that required in the Corporation's credit agreement. However, the Corporation has received the support of its bankers, and expects this support to continue through to the June 30, 1998 maturity date of the credit facility.

The Corporation is negotiating with its bankers for a renewal of its credit facilities at reduced borrowing levels beyond the June 30, 1998 maturity date. Subsequent to January 31, 1998, to reduce the borrowing levels of its operating lines of credit, the Corporation sold 1,000,000 shares of Pioneer for net proceeds of $31.6 million that were applied to reduce the bank facility permanently. In addition our bank loans will be reduced by $50 million relating to the available lines of credit currently being finalized with an asset based lender.

The Corporation expects the renewal of the bank financing beyond June 30, 1998 will be completed successfully. The Corporation believes that its substantial investments in oil and natural gas, pipelines and real estate are sufficient to support the contemplated bank lines.

REVIEW OF OPERATIONS

Pioneer Natural Resources Company

In August 1997, Parker & Parsley Petroleum Company and Mesa Inc. merged to form Pioneer Natural Resources Company (Pioneer), one of the largest independent exploration and production oil and gas companies in the United States. Pioneer is listed on the New York Stock Exchange. The merged company's drilling and production operations were principally located in the southern United States.

In September 1997 the Board of Directors of Chauvco Resources Ltd. approved a Plan of Arrangement that allowed Gendis to participate in the activities of Pioneer while retaining its interests in Chauvco's Gabon operations and Alliance Pipeline investments. With Gendis' support, the Plan of Arrangement was approved in December 1997. Chauvco merged its Canadian and Argentine assets with the operations of Pioneer, and Gendis received for its 14,689,000 common shares in Chauvco, 4,045,000 common shares of Pioneer and 3,209,000 exchangeable shares of Pioneer Natural Resources (Canada) Ltd. (Pioneer Canada), a subsidiary company of Pioneer. The exchangeable shares may be exchanged for Pioneer shares on a one-for-one basis at any time. As part of the Plan of Arrangement, Chauvco distributed its interests in its operations in Gabon to the shareholders through the newly created Chauvco Resources International Ltd. (CRI), which now trades on the Toronto and Alberta Stock Exchanges. In addition, Chauvco distributed to its shareholders rights to acquire its 20% interest in the Alliance Pipeline and Aux Sable Plant projects (Alliance Project) through a transfer of its interests to a newly formed limited partnership called Fort Chicago Energy Partners L.P. (Fort Chicago).

The share for share transaction was recorded at the fair value of $41 per share of the Pioneer shares as at the date of exchange resulting in a gain of $162,750,000 (after tax profit of $83,550,000). Due to declining oil prices in 1997 and early 1998, and the lowering of Pioneer's 1998 production forecasts, the market value of the Pioneer shares have since declined by a disappointing 23% to January 31, 1998.

Gendis' shareholding interests in Pioneer were 7.2% at January 31, 1998, reducing to 6.2% following the sale of 1,000,000 shares in February 1998.

Pioneer's management team is led by Jon Brumley, Chairman of the Board of Directors and Scott Sheffield, President and Chief Executive Officer. Both Mr. Brumley and Mr. Sheffield are proven leaders in the industry with well established records of successfully building oil and gas companies. Guy Turcotte, a member of the Gendis Board of Directors, will join the Board of Directors of Pioneer in 1998.

During 1997, Pioneer made a number of gas and oil acquisitions and financings, more than doubling its total proved reserves of crude oil and natural gas, expanding its geographic enterprise beyond the United States to Canada, Argentina, South Africa and Gabon.

At December 31, 1997, Pioneer's combined total proved reserves were 762 million barrels of crude oil and natural gas liquids and 2.3 trillion cubic feet of natural gas. The balanced reserve base has an average reserve life index of over 11 years and should provide stable production as a foundation for long term growth.

Pioneer's total assets and shareholders' equity were $3,947 million U.S. and $1,549 million U.S. respectively at December 31, 1997. The company recorded a net loss of $891 million and net cash provided by operating activities of $228 million for the year ended December 31, 1997. The net loss included a one time non-cash after tax charge of $863 million from the write down of impaired long term assets. The company declared dividends of 10¢ per share on its common shares in 1997.

While we are disappointed with the decline in the market value of our Pioneer shares, we are confident in the Pioneer management team and we look forward to increased value of our investment in 1998. We believe Pioneer is a sound company for the medium and long term.

Chauvco Resources International Ltd.

Gendis Inc. owns 14,689,000 (29%) of the issued common shares of Chauvco Resources International Ltd.

CRI currently produces oil in Gabon and is evaluating other investment opportunities in West Africa and the Middle East.

In February 1998, CRI gave notice of its intent to secure additional equity financing by way of a rights offering for warrants to be exchanged for common shares. Following this notice, CRI suspended the offering as a result of disappointing estimates of recoverable crude oil from one of the properties in the Gabon reserves.

The quoted market value of the CRI shares has declined significantly since January 31, 1998, and we believe this decline is not temporary in nature. Accordingly we have made provision for loss on this investment of $3.6 million to reflect the book value of the shares in CRI at 20¢ per share as at January 31, 1998.

The company has in place a competent team led by an experienced international oil and gas executive and, with their sizable land holdings in Gabon and attractive prospects in middle eastern and African countries has a positive outlook for the future.

Fort Chicago Energy Partners L.P.

Fort Chicago is a newly formed limited partnership established to hold an equity interest in the Alliance Project. Immediately prior to the Plan of Arrangement with Pioneer, Chauvco distributed to its shareholders rights to acquire its 20% interest in the project.

In October 1997, Gendis Inc. acquired 14,689,000 special warrants from Fort Chicago at $5.75 per special warrant for $84.5 million and in January 1998 Gendis exchanged the special warrants for an equal number of Class A Units, for no additional consideration. Our holdings of Class A Units represent a 22% interest in Fort Chicago and a resultant 6% indirect interest in the Alliance Project. The acquisition was financed by an $84.5 million facility from the company's bankers. Fort Chicago is the largest owner at 26% of the $4.3 billion cost of the Alliance Project.

The Alliance Pipeline project involves the design, construction and operation of a mainline natural gas pipeline from northwestern Alberta to delivery points near Chicago, Illinois, and the construction and operation of lateral pipelines and related facilities connecting gas processing facilities located in Alberta and northeastern British Columbia. The Aux Sable Plant project involves the construction and operation of a natural gas liquids extraction facility near the terminus of the Alliance Pipeline in the United States.

The Alliance Project has now been fully financed by banking commitments for 70% non-recourse debt and equity by the projects' shareholders.

The Alliance Project has preliminary approvals in the United States and is presently in hearings with the National Energy Board (NEB) for approval in Canada. The U.S. approvals are still subject to a successful environmental impact study and NEB approval. The NEB approval process is expected to be completed in the fall of 1998. The project is expected to be completed and in service in mid 2000, at which time we can expect to commence receiving cash returns on our investment.

Tundra Oil and Gas Ltd.

Gendis Inc. owns 50% of the issued shares of Tundra Oil and Gas Ltd. (Tundra), a private company that produces oil in western Manitoba and Alberta. During 1997, Tundra's oil production was 2,748 barrels per day, a 25% increase over the previous year's level. Despite a 9% decline in oil prices, after-tax cash flow increased by 19% to $11.8 million.

In September 1997, Tundra acquired Corvair Oils Ltd. (Corvair), a private company based in Edmonton. Largely as a result of this acquisition, Tundra's proved oil and gas reserves increased from 5.1 million to 9.9 million barrels of oil equivalent over the past year. In addition, Tundra's land position rose from 68,000 to 150,000 net acres, 40% of which are owned under fee simple title. Gendis supported this acquisition by a $5.0 million purchase of shares in Tundra.

In 1998, Tundra is projecting to produce 3,875 barrels of oil equivalent per day. The increase is expected to come from a full year's consolidation of Corvair operations as well as an on-going drilling program of at least 25 wells. While oil prices are down appreciably from 1997 levels, Tundra has sold forward more than 50% of its anticipated 1998 production at prices in excess of $27 per barrel, being benchmark West Texas Intermediate crude in Canadian funds.

Saan Stores

Sales revenues for the year amounted to $400,969,000, an increase of 53% from the prior year's total of $262,446,000. A significant portion of the increase was due to the acquisition of 89 stores from the former MMG Management Group on February 11, 1997.

Sales volumes of the new stores achieved our expectations when our focus was on clearing out discontinued merchandise lines and assortments. In August 1997, Saan re-opened these stores in the Saan format with a major marketing initiative, celebrating the 50th Anniversary of the chain.

Operating profits for the year decreased by $3,358,000, a 44% reduction from the prior year. Gross margins had improved marginally during the first three quarters of 1997. However, unusually mild weather leading into the Christmas selling season required aggressive markdowns to promote sales, which resulted in reductions to margins and operating profits. With the addition of the stores acquired from the MMG Management Group, Saan concentrated on introducing Saan stores in eastern Canada and integrating these stores into the Saan format. The cost of integration of these stores also affected operating profits.

During the year, Saan opened six new locations and closed 35 stores, a rationalization of redundant locations. Non profitable stores are being reviewed with the intention of making them profitable or closing them at the least cost to the company.

Saan's focus in 1998 is to augment its present merchandise selection in the Saan clothing stores with selected hard line assortments geared to increasing repeat visits and sales per square foot. Saan will also increase its inventory turnover through a combination of reduced inventory, increased supplier involvement and quicker stock replenishment of basic inventories. To develop the Saan image further, we have engaged Padulo Integrated Inc., a highly successful advertising agency, to communicate, market and increase our reach and frequency with the consumer. Saan's focus of achieving growth in sales and profitability through internal expansion in the merchandising division will continue through selective opening of new stores, expansion of existing locations where opportunity to increase volume is present, and the introduction of new retailing formats.

Real Estate

Revenues for the year including inter-segment revenues were $6,238,000 compared to $6,226,000 for last year. Operating profit for 1997 was $3,838,000, a reduction of $36,000 from the previous year. While several strategic properties experienced significant reduction in vacancy in 1997, overall vacancy remains flat at 10% as a result of closures of locations that supported the retail operations.

During the year, the corporation sold six properties previously occupied by the retail operations. These properties were surplus to our corporate needs. At the end of the fiscal year the corporation owned 45 properties categorized as follows: 21 commercial, 17 in support of retail operations and 7 properties to be sold which are surplus to our needs.

OUTLOOK

We have actively changed the content of our business, increasing our asset base in the energy sector, a sector in which we have had over 20 years of experience. We intend to build on that experience and seek out opportunities for mergers and/or acquisitions in oil and natural gas exploration and development. Our intention is to take an active role in that sector through the assumption of an operating role. Monetization of some of our extensive holdings in our passive oil and natural gas investments will make available cash resources to fund these new investments.

We have entered the pipeline industry with a significant investment in Fort Chicago Energy Partners L.P. and intend to use the substantial cash flow to start in the year 2000 to source new investments and to reduce bank lines of credit.

There is every indication that the Saan restructuring has been successful. Saan is in the mid-point of their three year business plan and they are meeting and, at times exceeding, our expectations. It is our intention to plan for an initial public offering of Saan in late 1999, or at the latest, by mid-year 2000, depending upon market conditions prevailing in that time frame.

The 1998 year is a continuation of the transition of Gendis to a return to sustained and growing profitability thereby enhancing value to our shareholders.

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In conclusion, we wish to thank our many employees and our Board of Directors for their continued support and dedication. In particular we wish to thank those members of the Board of Directors who retired during the year, Messrs. Cedric Ritchie, Douglas Everett, and Ronald Basford, for their valued counsel.

Albert D. Cohen,
Chairman & Chief Executive Officer

G. Allan MacKenzie,
President & Chief Operating Officer

MANAGEMENT DISCUSSION AND ANALYSIS

The financial highlights for the past three fiscal years are summarized as follows:

	1997 ($000's)	1996 ($000's)	1995 ($000's)
Sales			
Saan Stores	400,969	262,446	269,918
MMG Management Group	5,507	243,843	256,692
Real Estate	6,238	6,226	6,588
Inter-segment revenues	(2,430)	(3,178)	(3,461)
	410,284	509,337	529,737
Operating profit (loss)			
Saan Stores	4,215	7,573	(939)
MMG Management Group	(1,686)	(24,981)	(24,120)
Real Estate	3,838	3,874	3,499
Total operating profit (loss)	6,367	(13,534)	(21,560)
Unallocated corporate income (expense)	(1,798)	451	(3,182)
Interest expense	(7,225)	(4,993)	(8,672)
Net earnings (loss) before the undernoted	(2,656)	(18,076)	(33,414)
Cost of restructuring	(22,123)	(41,482)	—
Gain on exchange of investments	162,750	—	—
Provision for loss on investments	(13,800)	—	—
Income tax (provision) recovery	(63,153)	5,700	13,442
Equity in the earnings of investments	12,291	13,015	10,485
Discontinued operations	—	—	105,297
Net earnings (loss) for the period	73,309	(40,843)	95,810
Earnings (loss) per share	4.38	(2.44)	5.66

Fiscal year 1997 compared with fiscal year 1996

Sales decreased $99.1 million while operating profit increased $19.9 million over 1996. The sales reduction was primarily due to the closing of 80 retail locations of the MMG Management Group near the beginning of 1997. The increase in the operating earnings was due to the closing of the 80 non contributing locations.

The gain of $162.8 million is from the exchange of Gendis' equity interest in Chauvco Resources Ltd. for a portfolio investment holding in Pioneer Natural Resources Company and its subsidiary Pioneer Natural Resources (Canada) Ltd.

One million shares of Pioneer Natural Resources Company were targeted for sale in early 1998, and accordingly, a provision for loss of $10.2 million was recorded in 1997. Subsequent to the year end, the quoted market value of Chauvco Resources International Ltd. declined significantly and was considered not to be temporary.

Accordingly, a provision for loss of $3.6 million was recorded in 1997.

The increase in the net unallocated corporate loss reflected the reduction in intersegment recoveries of the corporate office costs. Interest expense increased $2.2 million due to an increase in interest rates in 1997 and higher borrowings, primarily to finance the acquisition of the investment in Fort Chicago Energy Partners L.P.

The earnings contribution from Gendis' investments in the oil and gas business declined by $0.7 million, primarily due to the loss of earnings for the month of January 1998 from the exchange of Gendis' equity interest in Chauvco for a portfolio investment holding in Pioneer.

Fiscal year 1996 compared with fiscal year 1995

Sales decreased $20.4 million and operating loss decreased $8.0 million. The sales reduction was due to a combination of decreased consumer spending and competition from other retailers. The reduction in the operating loss was due to the improved performance by the Saan Store group. The continuing operating loss by the MMG Management Group became the principal factor triggering the restructuring of Gendis' retail operations.

The improvement in the net unallocated corporate income reflected the write-offs in 1995 of Gendis' experiment in the hospitality business. Interest expense decreased $3.7 million due to lower interest rates prevailing throughout 1996 notwithstanding the effect of higher average borrowings during the past year as compared to 1995.

The earnings contribution from Gendis' investments in the oil and gas business increased by 24% to $13 million. The improvement was evident in the financial results of both Chauvco Resources Ltd. and Tundra Oil and Gas Ltd.

1995 Discontinued Operations

During the first quarter of fiscal year 1995, Gendis sold its 51% equity in the ownership of Sony of Canada Ltd. The transaction was for a total consideration of $207 million with a net gain of $105.3 million. The proceeds from the disposition were applied to reduce the outstanding debt of the corporation and had the effect of lowering interest expense for the fiscal year. The disposition also had the effect of eliminating one of Gendis' core business segments and the source of operating earnings and cash flow that it provided.

Gendis also wrote-off its investment within the hospitality sector during fiscal 1995. The resulting charge amounted to $5.7 million before tax recoveries.

OPERATING RESULTS BY BUSINESS SEGMENT

Oil and Gas Investments

Fiscal year 1997 compared with fiscal year 1996

Gendis' equity share in the earnings of its oil and gas investments declined $0.7 million to $12.3 million. Chauvco Resources Ltd. accounted for $10.1 million of these earnings, a decrease of $0.2 million over 1996 from an 11% increase in production offset by a 4% decline in prices while we held the investment.. A consequence of the exchange of Gendis' equity interest in Chauvco Resources Ltd. for portfolio investment holdings was the foregoing of earnings for the last month of the year. There were no earnings in the year from the investment in Pioneer Natural Resources Company; Pioneer Natural Resources (Canada) Ltd; Chauvco Resources International Ltd. or from the equity holding in Fort Chicago Energy Partners L.P. Gendis' contribution from Tundra Oil and Gas Ltd. totaled $2.2 million, inclusive of a cash dividend of $1.0 million. Tundra's increase in production of 26%, primarily due to its acquisition in the year, was offset by a decline in hedged oil prices of 6% and an increase in operating and depletion charges.

Fiscal year 1996 compared with fiscal year 1995

Gendis' equity share in the earnings of oil and gas investments increased $2.5 million to $13.0 million. Chauvco Resources Ltd. accounted for $10.2 million of these earnings, an increase of $3.1 million over 1995. Chauvco's net earnings increased by 34% in 1996 due to higher oil and gas prices prevailing throughout the year notwithstanding an overall decline in production. Gendis' contribution from Tundra Oil and Gas Ltd. totaled $2.8 million, inclusive of a cash dividend of $.9 million. Tundra's earnings also improved in 1996 due to better oil prices and, in their case, through growth in production.

Retail Operations

The Restructuring

In the first quarter of the fiscal year 1997, Gendis initiated a restructuring of its retail segment. The restructuring involved the closing of 80 retail outlets and the centralization of the segment's head office functions. The closure of the retail outlets was concluded through the bankruptcy of a subsidiary, Greenberg Stores Limited, and its principal operating division, MMG Management Group. The aggregate cost of the restructuring is estimated to be $63.6 million before income tax recoveries. Gendis recorded a charge of $41.5 million to fiscal year 1996 pertaining to the valuation of inventories, capital assets and other assets and liabilities for the 80 closed retail outlets. A further provision for restructuring costs of $22.1 million was recorded in the first quarter of fiscal 1997 pertaining to continuing obligations and the costs associated with the centralization of head office and distribution functions.

The bankruptcy of the chain was the chosen course of action after the decision by the Board of Directors of Gendis Inc. to withdraw financial support from the company. The decision was taken after four consecutive years in which MMG had incurred substantial operating losses resulting from declining sales revenues supported by a high cost structure. Sales revenues suffered as a result of decreased consumer spending and competition from other chains. As part of the restructuring of these retail operations, Saan Stores Ltd. acquired 89 of MMG's stores. The stores are now operated under the 'Saan Stores' and 'The Red Apple Clearance Centre' ('Pomme Rouge' in French speaking communities) names. MMG's head office in Pointe Claire, Quebec was closed at the end of summer 1997.

Operations Review

The financial highlights for Gendis' retail operations for the past three fiscal year ends are summarized as follows:

	1997 ($000's)	1996 ($000's)	1995 ($000's)
Sales			
Saan Stores	400,969	262,446	269,918
MMG Management Group	5,507	243,843	256,692
Operating profit (loss)			
Saan Stores	4,215	7,573	(939)
MMG Management Group	(1,686)	(24,981)	(24,120)

Fiscal year 1997 compared with fiscal year 1996

The sales increase over last year of $138.5 million for Saan Stores was largely due to the incorporation of the continuing 89 MMG retail outlets into the Saan organization. Sales reported for MMG in the current year represent approximately two weeks of operations at the start of the year prior to MMG ceasing operations on February 11, 1997. On a same store basis, sales increases (calculated on a comparative 52 week basis for both years) were 1%. This annual figure reflects the rationalization of merchandise assortments in the integration of the 89 MMG locations during the first and second quarter of the year. For the fourth quarter, same store sales increases (calculated on a comparative 13 week basis for both years) improved to 4% for continuing Saan locations and 3% for continuing MMG locations.

Operating profits came under pressure from markdowns due to the unseasonably warm weather prior to the Christmas selling period. With the competition taking drastic markdowns to clear inventory, Saan was forced to follow suit in order to remain competitive. Operating expenses remained tightly controlled, in order to achieve a modest decline in operating profits from last year.

Fiscal year 1996 compared with fiscal year 1995

During 1996, overall sales in the Saan Stores division, which includes Saan Stores, Saan for Kids and the western region of the Red Apple Clearance Centres, declined $7.5 million and operating profit increased $8.5 million when compared to 1995. Same stores sales declined 3.3% year over year. The increased operating profit was attributable to a combination of improved gross margin and reduced expense levels in all areas of the business.

The changes in store locations during the fiscal year 1997 are as follows:

	Opened	Closed	Format Conversion	End of Year
Saan Stores	5	27	(5)	270
Saan for Kids Stores	—	—	—	6
Red Apple Stores	1	8	5	37
	6	35	—	313

During 1997, total net selling space in the retail operations was reduced by more than 1.5 million square feet to approximately 4.1 million square feet. This reduction is primarily a result of the closing of 80 of the MMG locations stores at the beginning of the year and 35 locations during the year, 12 of which were locations where Saan was operating a store in the same market as an acquired MMG location. During 1996, total net selling space in the retail operations was reduced by more than 350,000 square feet to approximately 5.6 million square feet. This reduction resulted from the closing of 33 stores prior to the fiscal year end, whereas only 8 new stores were opened during the year.

Real Estate

Fiscal year 1997 compared with fiscal year 1996

External revenues from real estate properties increased by $0.8 million, primarily due to earnings on commercial rent revenues on the former MMG distribution centre in Montreal, Quebec. As a result of carrying costs associated with vacancy due to store closures in company owned locations, operating profit remained flat with the prior year. In 1997, six properties that were surplus to Gendis' long term plans were sold for $3.1 million, generating pre-tax profits of $0.7 million. At year end, we own a total of 45 properties of which 21 are classified as commercial and 17 are employed in support of retail operations. Seven properties, formerly employed to support retail operations, are considered surplus and will be sold. In 1997, the vacancy rate on the commercial properties remained at 10%.

Fiscal year 1996 compared with fiscal year 1995

Net revenues from commercial real estate properties amounted to $3.0 million, a decline of 2.5% from 1995 revenues of $3.1 million. Operating profit increased 10.7% over 1995. During 1996, two properties were sold at a modest profit. The vacancy rate on the commercial properties averaged 10%, as compared to 21% in 1995.

Year 2000

Gendis is currently managing its operational risk relating to the calendar change for the year 2000. The risk is primarily in the Saan Store operations. Gendis started working on the solution in early 1997 and has identified application programs, operating systems and databases that require modification. We have committed internal resources and external consulting services to ensure all year 2000 issues will be addressed. The plan is to complete this project by December 31, 1998 with an estimated cost of $0.7 million.

Gendis is not dependent on any merchandise product or service supplier. Consequently, we are confident that our source of supply will not be subject to major disruption from the failure of a given supplier to address its Year 2000 issues.

FINANCIAL REVIEW

	1997 ($000's)	1996 ($000's)	1995 ($000's)
Working capital (deficiency)	(114,865)	(5,508)	38,052
Investments	394,724	141,921	130,706
Capital assets	69,373	77,408	102,871
Total debt	199,188	85,603	48,799
Shareholders' equity	314,350	242,329	290,700
Cash flow from earnings	(5,628)	(10,889)	(18,210)
Net cash provided (used) by:			
operating activities	(21,071)	(23,860)	(18,132)
investing activities	(90,545)	(6,173)	167,723
financing activities	(1,288)	(7,528)	(79,141)

Net Cash Provided by Operating Activities

During 1997, operating activities used cash resources of $21.1 million, $2.8 million lower than in 1996. Cash flow from earnings was negative at $5.6 million, an improvement of $5.3 million from 1996. The working capital deficiency situation is expected to be rectified by June 30, 1998, as we negotiate with our lenders for long term credit lines as further discussed in the "Financial Requirement and Liquidity" commentary.

During 1996, operating activities used cash resources of $23.9 million, $5.7 million higher than in 1995 primarily due to the payment of tax liabilities outstanding from 1995. Cash flow from earnings was negative at $10.9 million, an improvement of $7.3 million from 1995.

Net Cash Used in Investing Activities

During 1997, net cash used in investing activities was $90.5 million from a $84.5 million investment in Fort Chicago Energy Partners L.P. and a $5.0 million investment in Tundra Oil and Gas Ltd. to assist them in their acquisition of Corvair. In 1997, capital expenditures were $6.9 million, down slightly from the prior year.

During 1996, net cash used in investing activities was $6.2 million, compared with net cash provided of $167.7 million during 1995. In 1996, capital expenditures were $7.5 million as compared to $19.9 million in 1995 and $21.1 million in 1994. The reduced level of capital expenditures in 1996 reflected the curtailment of store openings in 1996.

Net Cash Used in Financing Activities

During 1997, cash used in financing activities consisted of $2.0 million for dividends to shareholders. The reduced dividend payout reflected the reduction in the quarterly dividend for the full year in 1997.

During 1996, cash used in financing activities consisted of $5.3 million for dividends to shareholders and $2.2 million in the redemption of shares purchased under a normal course issuer bid in the first half of the year. The reduced dividend payout reflected the reduction in the quarterly dividend commencing with the second quarter of 1996.

Debt

At January 1998, Gendis' total debt outstanding was $199.2 million, an increase of $113.6 million over the prior year. The increase in debt was due to the investments in Fort Chicago Energy Partners L.P. and in Tundra Oil and Gas Ltd., as well as financing capital expenditures and an increase in working capital.

In early 1998, Gendis sold one million shares of its investment in Pioneer Natural Resources Company for proceeds of $31.6 million that were applied to reduce debt. For 1998, cash flow from operations is expected to be sufficient to fund capital expenditures, dividends and provide for a modest decline in the debt position by year end.

Gendis had no fixed rate debt over the last three years. The average interest rate paid on total borrowings was 5.7% and 5.1% respectively for fiscal years 1997 and 1996.

RISKS AND UNCERTAINTIES

Approximately 50% of Gendis' total assets at carrying value are invested as a portfolio holding in a publicly traded U.S. oil and gas company, Pioneer Natural Resources Company and its Canadian subsidiary. Accordingly, the value of the investment is dependent upon the investor evaluation of Pioneer's operating performance and its prospects in the future. The expectation is that the investment in Pioneer will increase in market value in tandem with an increase in oil prices.

Approximately 15% of Gendis' total assets at carrying value are invested in a publicly traded limited partnership, Fort Chicago Energy Partners L.P., which is the largest shareholder in the Alliance Pipeline Project for the construction and operation of a natural gas pipeline from Northeastern British Columbia to Chicago and in Aux Sable Plant project, a natural gas liquids extraction plant at the terminus of the pipeline. The project has not yet received all of the regulatory approvals to proceed. There are potential risks of cost overruns and delays in the construction of the pipeline and the plant as well as risks associated with natural gas price fluctuations, competition from other sources of energy supply and environmental issues once the pipeline and extraction plant become operational. The expectation is that the investment in Fort Chicago Energy Partners L.P. has the potential to provide earnings and cash flow to Gendis of approximately $17 million per annum when the pipeline and plant become fully operational in mid year 2000.

The principal risks and uncertainties faced by each of the operating business segments are common to all enterprises with which we compete. For retailing activities, the focus has been on the niche market in smaller towns across Canada that our major competitors have not entered. A significant risk exists in the pricing policies established by the lowest cost competitor with respect to national brand products. We have emphasized the development of in-house proprietary brands that provide us with the differentiation in establishing our own pricing levels. Goods imported for resale are subject to the risk of fluctuation in currency values. To minimize risk, a currency hedging program is employed, when considered appropriate, that allows us to fix our merchandise cost. Other risks, including the weather, the general state of the economy and changing consumer attitudes are normal business risks for which management establishes programs and other initiatives to achieve optimal operating performance.

FINANCIAL REQUIREMENTS AND LIQUIDITY

Gendis ended fiscal year 1997 with credit facilities totaling $238 million, of which approximately $44 million was unused. The credit facility expires June 30, 1998. Gendis was obliged to provide a hypothecation of its shares in Pioneer Natural Resources Company, Pioneer Natural Resources (Canada) Ltd. Chauvco Resources International and units in Fort Chicago Energy Partners L.P. and a general security agreement over all other assets other than Tundra Oil and Gas Ltd. to the banks in support of these credit lines. Gendis has also agreed to comply with various debt covenants commonly found in loan agreements. Included in the covenants, is the requirement for the corporation to maintain its borrowings at a level where the aggregate maket value of Pioneer Natural Resources Company and Pioneer Natural Resources (Canada) Ltd. is greater than 1.25 times bank indebtedness. At year end and at various times subsequent to year end, as a consequence of the general decline in quoted shares prices in the energy sector and the associated decline of the market value of the shares of Pioneer Natural Resources Company and Pioneer Natural Resources (Canada) Ltd., the aggregate market value of the shares to indebtedness was less than the ratio required by the credit facility. However, the Corporation has received the support of its bankers to date and expects this support to continue through to the maturity date of the credit facility.

To reduce outstanding loans, one million shares of the investment in Pioneer Natural Resources Company were sold and the proceeds of $31.6 million were applied to reduce the debt. An agreement with an asset based lender for a three year term financing of up to $75 million for Saan Stores Ltd., pledging inventory and receivables as collateral, is being finalized. We are confident that a renewal of our credit facilities with our Canadian bankers will be arranged, at a reduced amount. Gendis' substantial investments in oil and gas, pipelines and real estate are sufficient to support the contemplated bank lines.

FINANCIAL INSTRUMENTS

Gendis entered into forward exchange contracts for the sale $50 million in U.S. funds during March, April and May of 1998 as a hedge of the sale of its investment in Pioneer Natural Resources Company. The gains or losses on the forward contracts will be determined and recognized when the contracts are settled.

CORPORATE GOVERNANCE POLICY

The following analysis uses definitions contained in the Toronto Stock Exchange Report on Corporate Governance and is numbered in response to specific guidelines. This analysis was adopted by the Board of Directors on March 21, 1997 and is updated on an annual basis.

1. The Board has the responsibility to direct the management of the business and affairs of the Corporation and towards that end has redefined the responsibilities of the established committees in order to improve corporate governance.

   (i) The Board met over two days in June 1995 to discuss strategic planning for the Corporation and decided to continue its investments in the retail trade and the oil and gas industries and to consider new areas of investment. The Executive Committee is responsible for monitoring this process and reporting to the Board. Management presents, on an ongoing basis, proposals to carry through on the strategic plan. During the latest fiscal year, management commissioned reports from an investment banker to address issues arising from the strategic plan approved by the Board and to provide a fairness opinion regarding the exchange of the Corporation's interests in Chauvco Resources Ltd.

   (ii) The principal risks of the Corporation's business are outlined under the "Management Discussion and Analysis". The Board and its committees review these risks periodically; set policy for the management of these risks when appropriate; and receive reports from management on the manner by which the risks are being assessed and managed.

   (iii) On an annual basis, the Board appoints management for the ensuing year. Succession planning for the CEO position is ongoing and has been entrusted to the outside directors. Management of Gendis Inc. advises that individuals are currently employed who possess the required skills and abilities to support, in detail, the broad responsibilities of management. As part of the reorganization of the Corporation's retail investment, management continues to broaden the skill sets available within Saan Stores Ltd. with a view to ensuring well-managed growth of Saan Stores Ltd. Management advises that each area of functional responsibility of Saan Stores Ltd. also has depth of qualified personnel.

   (iv) Management has developed a formal Communications Policy which addresses the interests of the stakeholders of the Corporation, namely shareholders, employees, suppliers, customers, governments and the public. The Communications Policy has been approved by the Board.

   (v) The Audit Committee monitors the integrity of the Corporation's internal control and management information systems. The Audit Committee meets with the Vice President, Finance and the shareholders' auditors twice a year to discuss and review such matters and report to the Board.

2. The Board consists of nine members, four of whom are unrelated directors. An unrelated director as defined in the Corporate Governance Guidelines "is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director." An inside director is an employee of the Corporation or of a subsidiary. The Board has resolved that its composition should include a majority of unrelated directors. The Corporation does not have a "significant shareholder", which is defined by the Corporate Governance Guidelines as "a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors." There is no agreement among members of the founding Cohen family dealing with matters usually found in shareholder agreements, including voting for directors.

3. The Board states that it is not composed of a majority of unrelated directors. Mr. Albert D. Cohen and Mr. G. Allan MacKenzie, management directors, are related directors. Mr. Joseph H. Cohen, an officer of the Corporation, is a related director. Mr. Anthony J. Cohen is the son of Mr. Albert D. Cohen, and is a related director. Mr. Charles F. Cohen, until December 5, 1997, was an officer of a subsidiary corporation, is a nephew of Mr. Albert D. Cohen and is a related director. Mr. Guy Turcotte, Chairman and Chief Executive Officer of Fort Chicago Energy Partners L.P., a partnership owned as to 22% by Gendis Inc., is an outside and unrelated director for the purposes of the Corporate Governance Guidelines. Messrs. Edward C. Lumley, Lawrence O. Pollard and Barry C. Steers are unrelated directors, having regard to a review and analysis of their relationships with the Gendis Inc. group of corporations by the Vice President, Secretary and General Counsel of the Corporation. The review included the role of Mr. Lumley as an officer of the investment banker chosen by the Corporation to address issues arising from the strategic plan approved by the Board and to provide the fairness opinion referred to above.

4. The Corporate Governance Committee, composed exclusively of three outside/unrelated directors, is responsible for proposing to the full Board new nominees to the Board. The Corporate Governance Committee solicits the names of nominees from Board members and management of outside and unrelated individuals, with appropriate experience, prior to making a final recommendation. To date, the Corporation does not have a formal process for assessing directors on an ongoing basis because, considering the size of the Board and the involvement of Board members on committees, assessment is an ongoing process. The Human Resources and Compensation Committee has been assigned responsibility for this process.

5. The Human Resources and Compensation Committee has been assigned the responsibility for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. No formal assessment process has been developed.

6. The Corporation has not had a formal orientation and education program for new recruits to the Board. New nominees meet with senior management on key business, financial, operational and legal issues.

7. The Corporate Governance Committee and the Board have reviewed the size of the Board and its composition and have resolved to decrease the size to 7 from 9 members, so that a majority of the Board would then be constituted by individuals who qualify as unrelated directors.

8. The Corporate Governance Committee is reviewing the amount and form of the compensation of directors.

9. The Audit Committee is composed of two outside/unrelated directors. The Corporate Governance Committee is composed of three outside/unrelated directors. The Human Resources and Compensation Committee is composed of two outside/unrelated directors and one inside/related director. The Executive Committee consists of two inside/related directors and one outside/unrelated director.

10. The Corporate Governance Committee is responsible to the Board for monitoring the development of the Corporation's approach to governance issues and the Corporation's response to Toronto Stock Exchange Corporate Governance Guidelines.

11. The Board of Directors, together with the CEO, have not developed position descriptions for the Board and for the CEO involving the definition of the limits to management's responsibilities. The Board has limited the Executive Committee's authority to approve capital expenditures to a sum not exceeding $3 million for any single expenditure without reference to the Board. The Executive Committee has been assigned responsibility for developing the corporate objectives that the CEO is responsible for meeting. These objectives will be reported to the Board for approval.

12. The Board of Directors has appropriate structures and procedures in place to ensure that the Board can function independently of management. The procedure is for the outside directors to meet as a committee independently of management following each Board Meeting. This process was established by Board resolution on September 6, 1996. The structure is a committee meeting, presided over by a Chairman, with deliberations recorded by a Secretary, and notes being kept. The CEO is the Chairman of the Board and consequently, a "lead director" has been appointed who chairs the committee of outside directors.

13. The Audit Committee is composed only of outside/unrelated directors. The Board is satisfied that the terms of reference of the Audit Committee are specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee has direct communication channels with the Vice President, Finance and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties include monitoring the integrity of the Corporation's internal control and management information systems through direct communication channels with the external auditors to discuss and review specific issues as appropriate.

14. The Board resolved that any committee of the Board or any individual director may, at the expense of the Corporation, and with the prior consent of the Corporate Governance Committee, engage an outside advisor. The Corporate Governance Committee would advise the Corporate Secretary to implement this procedure as required.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the corporation is responsible for the consolidated financial statements and all information in the Annual Report. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies are described in note 1 to the consolidated financial statements. Management exercised its best judgement in selecting appropriate accounting policies and providing estimates as part of the reporting process. Management maintains a system of accounting and administrative controls to provide reasonable assurance that transactions are appropriately authorized, assets safeguarded and financial records maintained in order to provide relevant, reliable and timely financial information. Management considers financial information presented in the Annual Report consistent with the consolidated financial statements.

The Board of Directors has appointed an Audit Committee, consisting of two directors who are not officers or employees of the Corporation. The Audit Committee meets periodically with management and the independent auditors to review the performance of their respective responsibilities and to discuss accounting policy and financial reporting matters. The Audit Committee assesses the audit plan of the independent auditor, the audit report and the results of audit findings. The Audit Committee provides unrestricted access to the independent auditor to discuss audit and related findings on the integrity of the Corporation's financial reporting process and the adequacy of the system of accounting and administrative controls. The Audit Committee provides a recommendation to the Board of Directors on the approval of the consolidated financial statements and the re-appointment of the independent auditors.

The Board of Directors established its intent to maintain high ethical standards in the conduct of the Corporation's business activities by circulating a Code of Conduct to directors, officers and employees.

President and Chief Operating Officer

David Drybrough
Vice-President, Finance

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Gendis Inc. as at January 31, 1998 and January 25, 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the fiscal years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 31, 1998 and January 25, 1997 and the results of its operations and the changes in its financial position for the fiscal years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand
Chartered Accountants

Winnipeg, Manitoba
March 27, 1998

GENDIS INC.

CONSOLIDATED BALANCE SHEET
AS AT JANUARY 31,1998
(thousands of dollars)

ASSETS	**1998**	1997
	$	$
CURRENT ASSETS		
Cash	**1,534**	853
Receivables	**21,512**	8,500
Inventories	**91,704**	90,834
Prepaid expenses	**3,353**	2,147
	118,103	102,334
INVESTMENTS (note 3)	**394,724**	141,921
CAPITAL ASSETS (note 4)	**69,373**	77,408
DEFERRED INCOME TAXES	**—**	24,132
PREPAID PENSION COST (note 5)	**4,350**	4,376
	586,550	350,171
LIABILITIES		
CURRENT LIABILITIES		
Bank advances	**3,478**	6,603
Bank loans and other indebtedness (note 6)	**195,710**	79,000
Accounts payable and accrued liabilities	**32,038**	20,601
Income taxes payable	**1,742**	1,638
	232,968	107,842
DEFERRED INCOME TAXES	**39,232**	—
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)	**17,016**	16,295
RETAINED EARNINGS	**297,334**	226,034
	314,350	242,329
	586,550	350,171

SIGNED ON BEHALF OF THE BOARD

Director

Director

GENDIS INC.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE FIFTY-THREE WEEKS ENDED JANUARY 31,1998
(thousands of dollars)

	1998 $	1997 $
SALES	**410,284**	509,337
COSTS AND EXPENSES		
Cost of goods sold, selling, general and administrative expenses	**393,619**	506,521
Amortization	**12,096**	15,899
Interest	**7,225**	4,993
	412,940	527,413
NET LOSS BEFORE THE UNDERNOTED	**(2,656)**	(18,076)
Cost of restructuring (note 2)	**(22,123)**	(41,482)
Gain on exchange of investments (note 3)	**162,750**	—
Provision for loss on investments (note 11)	**(13,800)**	—
EARNINGS (LOSS) BEFORE INCOME TAXES	**124,171**	(59,558)
Provision for (recovery of) income taxes (note 8)	**63,153**	(5,700)
	61,018	(53,858)
Equity in the earnings of investments	**12,291**	13,015
NET EARNINGS (LOSS) FOR THE PERIOD	**73,309**	(40,843)
Dividends paid	**(2,009)**	(5,283)
Redemption of shares	**—**	(2,037)
RETAINED EARNINGS - beginning of period	**226,034**	274,197
RETAINED EARNINGS - end of period	**297,334**	226,034
EARNINGS (LOSS) PER SHARE	**$4.38**	($2.44)

GENDIS INC.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FIFTY-THREE WEEKS ENDED JANUARY 31,1998
(thousands of dollars)

	1998 $	1997 $
CHANGES IN CASH POSITION		
By operations		
Net earnings (loss) for the period	**73,309**	(40,843)
Items not affecting cash:		
Amortization	**12,096**	15,899
Equity in the earnings of investments	**(12,291)**	(13,015)
Deferred income taxes	**63,364**	(10,187)
Cost of restructuring	**7,861**	37,279
Gain on exchange of investments	**(162,750)**	—
Provision for loss on investments	**13,800**	—
Gain on disposal of capital assets	**(1,043)**	(174)
Prepaid pension cost	**26**	152
	(5,628)	(10,889)
Increase (decrease) in cash from:		
Receivables	**(13,012)**	(1,584)
Inventories	**(870)**	6,270
Prepaid expenses	**(1,206)**	1,415
Income taxes	**104**	(25,583)
Accounts payable and accrued liabilities	**(459)**	6,511
	(21,071)	(23,860)
By investing activities		
Proceeds from disposal of capital assets	**3,875**	864
Additions and replacement of capital assets	**(6,893)**	(7,476)
Notes receivable collected	**999**	39
Investments acquired	**(89,526)**	(525)
Dividends received from investments	**1,000**	925
	(90,545)	(6,173)
By financing activities		
Dividends paid	**(2,009)**	(5,283)
Issue of shares	**721**	—
Redemption of shares	**—**	(2,245)
	(1,288)	(7,528)
DECREASE IN CASH	**(112,904)**	(37,561)
CASH - beginning of period	**(84,750)**	(47,189)
CASH - end of period	**(197,654)**	(84,750)
CASH IS REPRESENTED BY:		
Cash	**1,534**	853
Bank advances	**(3,478)**	(6,603)
Bank loans and other indebtedness	**(195,710)**	(79,000)
	(197,654)	(84,750)

GENDIS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FIFTY-THREE WEEKS ENDED JANUARY 31,1998

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the corporation and all subsidiary corporations.

(c) Inventories

The basis of valuation of inventories is the lower of cost and net realizable value determined by the retail method of accounting.

(d) Investments

Investments where the Corporation has significant influence, namely Fort Chicago Energy Partners L.P., Chauvco Resources Ltd. and Tundra Oil and Gas Ltd. are accounted for by the equity method. This method of accounting brings into consolidated earnings and the carrying value of the investment, the Corporation's share of earnings of the investee and the effect of non-proportionate participation by the Corporation in the investee's capital transactions. The carrying value of the investment is reduced by dividends or cash distributions received from the investee. Where the value of the investment is below carrying value for reasons that are considered to be other than temporary, a provision for the decline is recorded against the investment and charged to earnings.

(e) Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life at the following annual rates:

Buildings	2%
Furniture, fixtures, equipment and software	
Stores	10 to 14%
Office and warehouse	7%
Computer equipment	25%
Computer software	20 to 50%
Automotive	14 to 20%

Amortization of leasehold improvements is provided on a straight-line basis over the term of the lease plus one renewal option period, to a maximum of 10 years.

(f) Pension cost and obligations

The corporation maintains an employee contributory defined benefit pension plan and a defined contribution pension plan. All employees who meet certain eligibility requirements must participate in one of the plans. For the defined benefit plan, the cost of pensions is determined using the projected benefit method pro rated on service. Past service surplus and annual experience gains or losses of the defined benefit plan are amortized on a straight-line basis over the estimated average remaining service life of the members of the plan, approximately 15 years. For the defined contribution plan, the cost of pensions is the Corporation's contribution to the plan.

(g) Financial Instruments and Credit Risk

The carrying value of accounts receivable, accounts payable, accrued liabilities, bank loans and other indebtedness approximate their fair values due to their short term maturity.

Credit risk concentration applicable to a single party is described in note 2.

(h) Earnings per share

The calculation of the earnings per share is based on the weighted average number of shares outstanding during the respective fiscal periods.

2. RESTRUCTURING OF THE RETAIL OPERATIONS

On February 11, 1997, the Corporation initiated a restructuring of its retail segment. The restructuring involved the closing of 80 retail outlets and the centralization of the segment's head office functions. The closure of the retail outlets was concluded through the bankruptcy of a subsidiary, Greenberg Stores Limited and its principal operating division, MMG Management Group. For the period ended January 31, 1998, the Corporation recorded a provision for restructuring cost of $22,123,000 pertaining to continuing obligations under leases, employee severance settlements and relocation costs in the centralization of head office functions. For the period ended January 25, 1997, the Corporation recorded a provision of $41,482,000 pertaining to the valuation of inventories, capital assets and other assets and liabilities for the 80 closed retail outlets.

These provisions are based on estimates, including estimates of recoveries from the Trustee of the Estate of Greenberg Stores Limited of $11,341,000 included in accounts receivable at January 31, 1998. Due to uncertainties inherent in the estimating process, it is possible that changes in future conditions may cause the recorded provisions to change by a material amount in the near term. Adjustments in estimates will be charged or credited to future years' operations.

3. INVESTMENTS

	1998			1997
	Number of of shares/units (000's)	Quoted market value ($000's)	Carrying value ($000's)	Carrying value ($000's)
(a) Corporations involved in the oil and gas industry and a limited partnership involved in pipeline activities:				
At cost less provision for loss:				
Pioneer Natural Resources Company	4,045	127,685	156,402	—
Pioneer Natural Resources (Canada) Ltd.	3,209	101,081	132,175	—
Chauvco Resources International Ltd.	14,689	7,785	2,983	—
On an equity basis:				
Fort Chicago Energy Partners L.P.	14,689	118,243	84,460	—
Tundra Oil and Gas Ltd.			18,579	12,354
Chauvco Resources Ltd.			—	128,443
Other investments, at cost			125	1,124
			394,724	141,921

The classification of the Corporation's investments as long-term and the utilization of the cost basis is predicated on the successful completion of the renewal of bank financing, as outlined in note 6, without the further sale of the Corporation's investments.

(b) During the period ended January 31, 1998, under a Plan of Arrangement, the Corporation acquired shares of Pioneer Natural Resources Company, a public corporation based in the United States and of its publicly traded subsidiary Pioneer Natural Resources (Canada) Ltd. while retaining the Corporation's investment interests in Chauvco Resources Ltd.'s Gabon operations and Alliance Pipeline investment. The Corporation received for its shares in Chauvco Resources Ltd., on a formula basis, Pioneer Natural Resources Company shares and exchangeable shares of the Canadian subsidiary. Exchangeable shares may be exchanged for Pioneer Natural Resources Company shares on a one-for-one basis at any time. As a result of the Plan of Arrangement, the Corporation recorded a gain of $162,750,000 before income taxes, $83,550,000 after income taxes. Chauvco Resources Ltd. spun-off to its shareholders its operations in Gabon through a newly created publicly traded corporation, Chauvco Resources International Ltd. In addition, Chauvco Resources Ltd. distributed to its shareholders rights to acquire its 20% interest in the Alliance Pipeline and Aux Sable Plant project through a transfer of its interests to a newly formed limited partnership, Fort Chicago Energy Partners L.P.

(c) Following the receipt of the rights, the Corporation acquired 14,688,610 units, representing 22% of the limited partnership, of Fort Chicago Energy Partners L.P., for cash consideration of $5.75 per unit. This investment effectively represents a 6% indirect ownership position in the Alliance Pipeline project and Aux Sable Plant project. The projects involve the design, construction and operation of a 3,000 kilometre natural gas pipline from northeastern British Columbia to Chicago, Illinois and the construction and operation of a natural gas liquids extraction facility at the terminus of the pipeline. Construction is scheduled for completion in the year 2000.

(d) The Corporation owns 50% (1997 - 50%) of Tundra Oil and Gas Ltd., a private corporation and 29% of Chauvco Resources International Ltd.

(e) At January 25, 1997, the Corporation owned 14,688,610 shares of Chauvco Resources Ltd., a public corporation, representing 30% of its outstanding common shares. The following is summarized information from Chauvco Resources Ltd.'s audited financial statements at December 31, 1996:

	1996 ($000's)
Assets	637,436
Liabilities	239,685
Revenues	215,947
Expenses	181,816

For the period ended January 31, 1998, the Corporation recorded $10,065,000 (1997 - $10,229,000) of equity in the earnings of its investment in Chauvco Resources Ltd.

The excess of cost over the underlying share of equity in Chauvco Resources Ltd. since the dates of acquisitions is amortized against the Corporation's share of earnings of Chauvco Resources Ltd. on a straight-line basis ranging from 16 to 20 years. At January 25, 1997, the unamortized excess of cost over the underlying share of equity of Chauvco Resources Ltd. since the dates of acquisitions, and included in the carrying value of the investment, is $6,446,000.

(f) Included in other investments at January 25, 1997, are $994,000 of notes receivable from the Corporation's officers pertaining to the issuance of the Corporation's shares under employee stock option plans. These loans were repaid during the period ended January 31, 1998.

4. CAPITAL ASSETS

	Cost		Accumulated amortization		Net	
	1998 ($000's)	1997 ($000's)	1998 ($000's)	1997 ($000's)	1998 ($000's)	1997 ($000's)
Land	8,054	9,275	—	—	8,054	9,275
Buildings	38,570	40,947	12,364	12,809	26,206	28,138
Furniture, fixtures equipment and software	101,353	105,200	77,009	76,229	24,344	28,971
Leasehold improvements	25,783	25,889	15,014	14,865	10,769	11,024
	173,760	181,311	104,387	103,903	69,373	77,408

5. PREPAID PENSION COST

Prepaid pension cost represents the cumulative difference between the amounts accrued and funding contributions. The most recent actuarial valuation of accumulated pension benefits was made as at December 31, 1996. At January 31, 1998, the extrapolated valuation of accumulated pension benefits amounted to $37,737,000 (1997 - $44,011,000). Pension plan net assets, available to provide for these obligations, amounted to $57,735,000 (1997 - $60,393,000). The valuation of the pension plan net assets is based on market values with unrealized gains and losses averaged over a five year period.

6. BANK LOANS AND OTHER INDEBTEDNESS

In conjunction with the restructuring referred to in note 2, the Corporation renegotiated its bank operating lines of credit. During the period ended January 31, 1998, the Corporation increased its credit facility by $84,460,000 to acquire its investment in Fort Chicago Energy Partners L.P. The interest rate on bank loans is the prime rate as established by the Corporation's bankers from time to time. The term of the credit facility ends June 30, 1998.

The operating lines of credit are secured by a general security agreement that provides a first floating charge against the assets of the Corporation and a pledge of the Corporation's investment in the shares of Chauvco Resources Ltd. and, subsequent to the Plan of Arrangement, the shares of Pioneer Natural Resources Company, Pioneer Natural Resources (Canada) Ltd. and Chauvco Resources International Ltd. The units of Fort Chicago Energy Partners L.P. were pledged at the time of the increase in the credit facility. The Corporation has also agreed to comply with various covenants commonly found in loan agreements.

As at January 31, 1998 and at various times subsequent to the fiscal year end, as a consequence of the general decline in quoted share prices in the energy sector and the associated decline of the market value of the shares of Pioneer Natural Resources Company and Pioneer Natural Resources (Canada) Ltd., the ratio of the aggregate market value of the shares of Pioneer Natural Resources Company and Pioneer Natural Resources (Canada) Ltd. to indebtedness was less than the 1.25:1 ratio required in the Corporation's credit agreement. The Corporation has received the support of its bankers, and expects this support to continue through to the June 30, 1998 maturity date of the credit facility.

The Corporation intends to negotiate with its bankers for a renewal of its credit facilities at reduced borrowing levels beyond the June 30, 1998 maturity date. Subsequent to January 31, 1998, to reduce borrowing levels of its operating lines of credit, the Corporation sold 1,000,000 shares of Pioneer Natural Resources Company for net proceeds of $31,595,000 which were applied to reduce the credit facility permanently. In addition, the Corporation is currently finalizing an agreement with another lender for term financing of approximately $50,000,000 which will be used to make a further permanent reduction to bank indebtedness.

The Corporation expects that the renewal of the bank financing beyond June 30, 1998 will be completed successfully. The Corporation believes that its substantial investments in oil and gas, pipelines and real estate are sufficient to support the contemplated bank lines.

Included in bank loans and other indebtedness are loans of $17,741,000 from parties related to certain shareholders of the Corporation. The loans are due on demand with interest at the prime rate, as established by the Corporation's bankers from time to time, less one half percent.

7. CAPITAL STOCK

(a) Authorized

The Corporation is authorized to issue an unlimited number of Class A, Class B and Class C shares. The Class A shares and the Class B shares are voting, convertible into one another on a share-for-share basis and rank equally in all respects except that in the case of the Class B shares, the directors of the Corporation may specify that the dividend, in whole or in part, shall be by way of a stock dividend of fully paid and non-assessable Class C shares.

The Class C shares are entitled to a fixed cumulative preferential dividend at the rate of $0.60 per share per annum and are redeemable at $10.00 per share.

(b) Class A shares issued

	Number of shares		Share Capital	
	1998	1997	1998 ($000's)	1997 ($000's)
Opening balance	16,723,156	16,936,258	16,295	16,503
Converted to Class B	—	(92)	—	—
Converted from Class B	—	92	—	—
Cancelled	—	(213,102)	—	(208)
Exercise of stock options	51,500	—	721	—
Closing balance	16,774,656	16,723,156	17,016	16,295

At January 31, 1998, no Class B or Class C shares were issued. During the period ended January 25, 1997, under a Normal Course Issuer Bid, 213,100 Class A shares were purchased for cancellation at an average cost of $10.54 per share. The excess of the purchase price over the $0.98 per share assigned value of the shares and the associated costs were charged to retained earnings. The Normal Course Issuer Bid expired on January 17, 1997.

(c) Employee stock option plans

The corporation has established employee stock option plans for officers and employees of the Corporation and its subsidiaries. Share options have been granted for 172,500 Class A shares (1997 - 224,700) at exercise prices ranging from $12.50 to $17.80 per share. The options have expiration dates to November 29, 2005. The exercising of these options will not have a material dilutive effect on earnings per share.

8. INCOME TAX RATE

Taxes on earnings vary from the amounts that would be computed by applying the combined federal and provincial income tax rates to the earnings before income taxes. The following is a reconciliation of the combined statutory rate to the effective income tax rate:

	1998 ($000's)	1998 %	1997 ($000's)	1997 %
Statutory income tax (recovery)	56,374	45.4	(24,061)	(40.4)
Permanent difference on disposal of an equity investment	24,086	19.4	—	—
Non taxable portion of capital gains and losses	(17,207)	(13.9)	(707)	(1.2)
Utilization of previously not recognized losses	(1,997)	(1.6)	—	—
Restructuring costs not recognized	—	—	14,866	25.0
Losses of subsidiary not recognized	896	0.7	3,497	5.9
Large corporations tax	596	0.5	420	0.7
Limitation of deductible amounts	328	0.3	89	0.1
Other items	77	0.1	196	0.3
Effective income tax (recovery)	63,153	50.9	(5,700)	(9.6)

9. COMMITMENTS

(a) Rentals paid on property and equipment leases amounted to $24,763,000 (1997 - $31,687,000). Minimum annual rentals in subsequent periods (exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges) on long-term property and equipment leases, the longest of which will expire in the year 2011 and in effect at January 31, 1998 are:

Period ending January	Minimum rental ($000's)
1999	16,259
2000	13,320
2001	10,900
2002	8,246
2003	5,689
thereafter	19,260

(b) The Corporation has entered into forward contracts, at an average exchange rate of $1.39 to settle by May 29, 1998, as a hedge of the sale of $50,000,000 of United States currency. At January 31, 1998, the unrealized loss on the contracts amounted to $2,661,000. The actual gains or losses on the forward contracts will be determined and recognized when the contracts are settled.

(c) The Corporation has letters of credit outstanding of $14,260,000 (1997 - $10,394,000) primarily relating to the purchase of inventory.

10. SEGMENTED INFORMATION

Segmented results on consolidated operations (thousands of dollars)	1998		1997	
	Sales $	Segment operating profit (loss) $	Sales $	Segment operating profit (loss) $
Saan Stores	400,969	4,215	262,446	7,573
MMG Management Group	5,507	(1,686)	243,843	(24,981)
Real estate	6,238	3,838	6,226	3,874
	412,714	6,367	512,515	(13,534)
Elimination of inter-segment revenues	(2,430)	—	(3,178)	—
	410,284	6,367	509,337	(13,534)
General corporate income (expense)		(1,798)		451
Interest		(7,225)		(4,993)
Net loss before the undernoted		(2,656)		(18,076)
Cost of restructuring		(22,123)		(41,482)
Gain on exchange of investments		162,750		—
Provision for loss on investments		(13,800)		—
Income tax (expense) recovery		(63,153)		5,700
Equity in the earnings of investments		12,291		13,015
Net earnings (loss) for the period		73,309		(40,843)

	Amortization		Capital expenditures		Identifiable assets	
	1998 $	1997 $	1998 $	1997 $	1998 $	1997 $
Saan Stores	11,222	6,657	6,806	4,523	137,679	90,575
MMG Management Group	—	8,361	—	2,579	—	53,444
Real estate	853	861	73	374	35,167	34,253
Equity investments	—	—	—	—	103,039	140,797
Corporate	21	20	14	—	310,665	31,102
Total	12,096	15,899	6,893	7,476	586,550	350,171

11. SUBSEQUENT EVENTS

(a) In February, 1998, the Corporation sold 1,000,000 shares of Pioneer Natural Resources Company for $31,595,000. The proceeds were applied to reduce bank indebtedness. A loss of $10,200,000 was incurred and accordingly, the Corporation has made a provision for the loss at January 31, 1998.

(b) Subsequent to January 31, 1998, Chauvco Resources International Ltd. provided notice of its intent to secure additional equity financing by way of a private offering for warrants to be exchanged for common shares. Following the notice, Chauvco Resources International Ltd. suspended its offering pending further review of its operations. The quoted market value of the Chauvco Resources International Ltd. shares has declined significantly since January 31, 1998 and accordingly, the Corporation has made a provision for loss of $3,600,000 at January 31, 1998.

CONSOLIDATED FINANCIAL INFORMATION

Five Year Review

(in thousands of dollars, except per share data)

Fiscal period ended	**January 31, 1998**	January 25, 1997	January 27, 1996	January 28, 1995	January 29, 1994
Operating Results					
Sales	**410,284**	509,337	529,737	532,188	533,884
Saan Stores	**400,969**	262,446	269,918	274,900	266,997
MMG Management Group	**5,507**	243,843	256,692	253,939	263,441
Real Estate - external	**3,808**	3,048	3,127	3,349	3,446
Operating Profit (Loss)	**6,367**	(13,534)	(21,560)	3,730	13,204
Saan Stores	**4,215**	7,573	(939)	10,426	12,474
MMG Management Group	**(1,686)**	(24,981)	(24,120)	(12,635)	(4,803)
Real Estate	**3,838**	3,874	3,499	5,939	5,533
Corporate Income (Expense)	**(1,798)**	451	(3,182)	1,108	1,023
Interest	**7,225**	4,993	8,672	13,055	10,210
Net Earnings (Loss) before the undernoted	**(2,656)**	(18,076)	(33,414)	(8,217)	4,017
Gain on exchange of investments	**162,750**	—	—	—	—
Provision for loss on investments	**13,800**	—	—	—	—
Cost of Restructuring	**22,123**	41,482	—	—	—
Income Tax Expense (Recovery)	**63,153**	(5,700)	(13,442)	(2,635)	1,822
Earnings from Investments	**12,291**	13,015	10,485	10,724	8,864
Discontinued Operations	**—**	—	105,297	7,661	6,995
Net Earnings (Loss)	**73,309**	(40,843)	(114,784)	(2,519)	4,064
Dividends Declared	**2,009**	5,283	9,141	9,135	9,094
Issue of Share Capital	**721**	—	—	1,254	225
Redemption of Share Capital	**—**	2,037	—	—	—
Cash Flow from Earnings	**(5,628)**	(10,889)	(18,210)	1,213	13,980
Capital Expenditures	**6,893**	7,476	19,926	21,124	21,109
Financial Position					
Total Assets	**586,550**	350,171	394,991	424,614	405,519
Total Invested Capital	**353,582**	218,197	276,067	273,401	265,126
Long-Term Debt	**—**	—	—	70,000	60,000
Deferred Income Tax Payable (Recoverable)	**39,232**	(24,132)	(14,633)	(630)	6,017
Shareholders' Equity	**314,350**	242,329	290,700	204,031	199,109
Per Common Share					
Earnings (Loss) - full year	**4.38**	(2.44)	5.66	0.76	1.07
Discontinued Business	**—**	—	6.22	0.46	0.41
Before discontinued operations	**4.38**	(2.44)	(0.56)	0.30	0.66
1st Qtr	**(1.29)**	(0.21)	(0.31)	(0.11)	(0.04)
2nd Qtr	**0.23**	0.09	0.07	0.19	0.10
3rd Qtr	**0.25**	0.10	0.05	0.15	0.29
4th Qtr	**5.19**	(2.42)	(0.37)	0.07	0.31
Annual Dividends Paid	**0.12**	0.32	0.54	0.54	0.54
Shareholders' Equity	**18.74**	14.49	17.16	12.05	11.81
Other					
Class A shares outstanding	**16,774,656**	16,723,156	16,936,258	16,936,259	16,853,060
Share Price (1)					
- High	**27.60**	13.30	17.00	19.25	22.25
- Low	**9.80**	7.80	9.88	14.00	16.50

Notes:

(1) For Canadian capital gains tax purposes, the Valuation Day value of Gendis Inc. common shares on December 22, 1971 was $2.98.

BOARD OF DIRECTORS

ALBERT D. COHEN, O.C., LL.D.
Chairman & Chief Executive Officer,
Gendis Inc. (1) (3)

ANTHONY J. COHEN
President, Ceyx Properties Ltd.

CHARLES F. COHEN
Corporation Director

JOSEPH H. COHEN, C.M., LL.D.
Vice President, Gendis Inc.

THE HONOURABLE EDWARD C. LUMLEY, P.C.
Vice Chairman & Director, Nesbitt Burns Inc. (1) (3)

G. ALLAN MACKENZIE, C.M.M., O.ST.J., C.D., K.L.J.
President & Chief Operating Officer, Gendis Inc. (1)

LAWRENCE O. POLLARD
Chairman, Pollard Banknote Limited

BARRY C. STEERS, LL.D.
Corporation Director (2) (3) (4)

GUY J. TURCOTTE
Chairman & Chief Executive Officer,
Fort Chicago Energy Partners L.P. (2) (4)

(1) Members of the Executive Committee
(2) Members of the Audit Committee
(3) Members of the Human Resources & Compensation Committee
(4) Members of the Corporate Governance Committee

CORPORATE OFFICERS

ALBERT D. COHEN
Chairman & Chief Executive Officer

G. ALLAN MACKENZIE
President & Chief Operating Officer

DAVID J. DRYBROUGH
Vice President, Finance

N. PAUL CLOUTIER
Vice President, Secretary & General Counsel

JOSEPH H. COHEN
Vice President

ERNEST B. REINFORT
Comptroller

RICHARD H. BRUSEGARD
Assistant Secretary

CORPORATE INFORMATION

Head Office
1370 Sony Place
Winnipeg, Manitoba
R3T 1N5

Registrar and Transfer Agent
CIBC Mellon Trust Company
Vancouver, Calgary, Winnipeg,
Toronto, Montreal, Halifax
E-mail: tmcphers@cibcmellon.ca

Auditors
Coopers & Lybrand
Suite 2300, Richardson Building
One Lombard Place
Winnipeg, Manitoba
R3B 0X6

Exchange Listing
Toronto Stock Exchange
- Class A and B shares

Principal Bankers
Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank

Investor Relations
P.O. Box 9400
Winnipeg, Manitoba
R3C 3C3
E-mail: finance@wpg.gendis.ca

SENIOR OFFICERS OF PRINCIPAL SUBSIDIARY CORPORATIONS

Gendis Realty Inc.
(property holding company)

ALBERT D. COHEN
Chairman & Chief Executive Officer

G. ALLAN MACKENZIE
President & Chief Operating Officer

DAVID J. DRYBROUGH
Vice President

N. PAUL CLOUTIER
Secretary

RICHARD H. BRUSEGARD
Assistant Secretary

Saan Stores Ltd.
(clothing and junior department stores)

ALBERT D. COHEN
Chairman & Chief Executive Officer

G. ALLAN MACKENZIE
Chairman of the Executive Committee

F. ROBERT WHITNEY
President & Chief Operating Officer

LEONARD DOLEZSAR
Vice President, Operations

JACK SORENSON
Vice President, Finance

MYRON HUTMACHER
Vice President, Merchandising

THOMAS PEAKE
Vice President, Planning & Development

EUGENE PHANEUF
Vice President, Logistics

NORMAND NOWLAN
Vice President, Marketing

ROGER RAMSAY
Vice President, Human Resources

DAVID J. DRYBROUGH
Vice President

N. PAUL CLOUTIER
Secretary

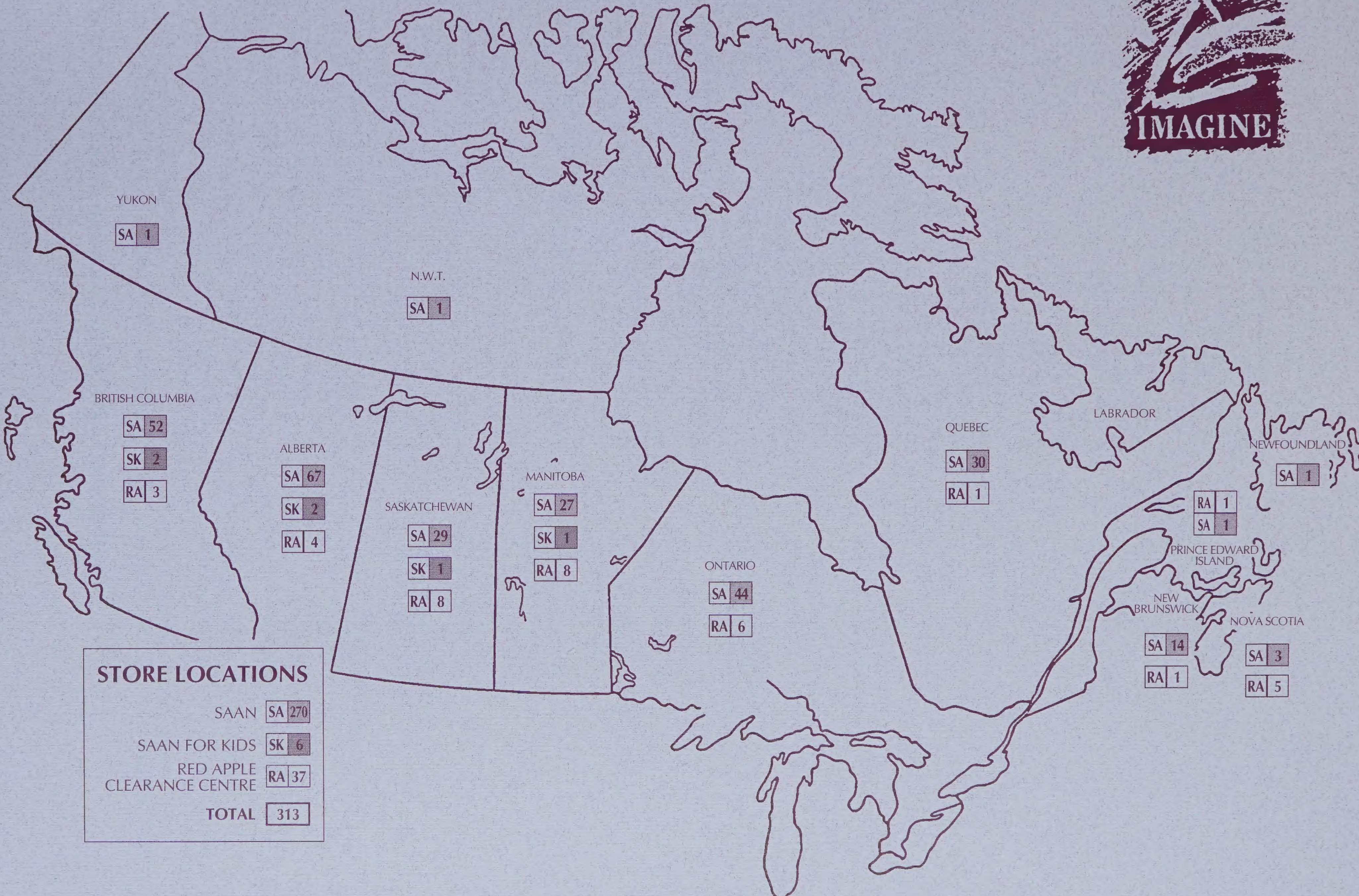
RICHARD H. BRUSEGARD
Assistant Secretary

EQUITY INVESTMENTS

Tundra Oil and Gas Ltd. (50%)
(Oil and gas exploration and development)

Fort Chicago Energy Partners L.P. (22%)
(pipeline holding company)

IMAGINE



STORE LOCATIONS

SAAN	SA 270
SAAN FOR KIDS	SK 6
RED APPLE CLEARANCE CENTRE	RA 37
TOTAL	313